

Ads like on the cover may appeal to you if you have a poor credit history or no credit at all. **Beware!** While secured credit cards can be an effective way to build or re-establish your credit history, some marketers of secured cards make deceptive advertising claims to entice you to respond to their ads.

SECURED VS. UNSECURED CARDS

Secured and unsecured cards can be used to pay for goods and services. However, a secured card requires you to open and maintain a savings account as security for your line of credit; an unsecured card does not.

The required savings deposit for a secured card may range from a few hundred to several thousand dollars. Your credit line is a percentage of your deposit, typically 50 to 100 percent. Usually, a bank will pay interest on your deposit. In addition, you also may have to pay application and processing fees — sometimes totaling hundreds of dollars. Before you apply, be sure to ask what the total fees are and whether they will be refunded if you're denied a card. Typically, a secured card requires an annual fee and has a higher interest rate than an unsecured card.

DECEPTIVE ADS AND SCAMS

The Federal Trade Commission (FTC) has taken action against companies that deceptively advertise major credit cards through television, newspapers, and postcards. The ads may offer unsecured credit cards, secured credit cards, or not specify a card type. The ads usually lead you to believe you can get a card simply by calling the number listed. Sometimes the number is not toll-free. A "900" number service, for which you are billed just for making the call, may instruct you to give your name and address to receive a credit application, or give you a list of banks offering secured cards. It also may tell you to call another "900" number— at an additional charge—for more information.

DECEPTIVE ADS OFTEN LEAVE OUT IMPORTANT INFORMATION:

- ◆ The cost of the "900" call— which can range from \$2 to \$50 or more;
- ◆ The required security deposit, application, and processing fees;
- ◆ Eligibility requirements like income or age;
- ◆ An annual fee or the fact that the secured card has a higher than average interest rate on any balance.

HOW TO AVOID THE SCAM

To avoid being victimized, look for the following signs:

Offers of easy credit. No one can guarantee to get you credit. Before deciding whether to give you a credit card, legitimate credit providers examine your credit report.

A call to a "900" number for a credit card. You pay for calls with a 900 prefix — and you may never receive a credit card.

Credit cards offered by "credit repair" companies or "credit clinics." These businesses also may offer to clean-up your credit history for a fee. However, you can correct genuine mistakes or outdated information yourself by contacting credit bureaus directly. Remember that only time and good credit habits will restore your credit worthiness. See our Brochure on Fair Credit Reporting.

CREDIT REPORTING

If you're considering a secured card as a way to build or re-establish a credit record, make sure the issuer reports to a credit bureau. Your credit history is maintained by companies called credit bureaus; they collect information reported to them by banks, mortgage companies, department stores, and other creditors. If your card issuer

doesn't report to a bureau, the card won't help you build a credit history.

FOR MORE INFORMATION

To build a credit record, you may want to apply for a charge card or a small loan at a local store or lending institution. Ask if the creditor reports transactions to a credit bureau. If they do —and if you pay back your debts regularly— you will build a good credit history.

If you cannot get credit on your own, you can ask a relative or friend with a good credit history to act as your cosigner. The cosigner promises to repay the debt if you don't.

If you're interested in applying for a secured credit card, the BankCard Holders of America (BHA) provides a list of institutions offering secured cards. Send a check or money order for \$4.00 to: "Secured Credit Card List," BHA Customer Service, 524 Branch Drive, Salem, VA 24153.

If you're having problems paying bills, you may want to contact a credit counseling service. Non-profit organizations in every state counsel consumers who are in debt. Counselors try to arrange a repayment plan that is acceptable to you and your creditors. They also can help you set up a realistic budget. These counseling services are offered at little or no cost to consumers. You can find the office nearest you by checking the White Pages of your telephone directory. See our Brochure on Choosing a Credit Counselor.

Sometimes, non-profit counseling programs are operated by universities, military bases, credit unions, and housing authorities. They are likely to charge little or nothing for their services. Or you can check with your local bank or consumer protection office to see if it has a list of reputable low-cost financial counseling services.

If you have problems or questions about a secured credit card marketer, contact your local consumer protection agency or state Attorney General's office.

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The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems  
Applying for Credit  
At Home Shopping Rights  
Bankruptcy Facts  
Buried in Debt  
Car Financing Scams  
Charge Card Fraud  
Choosing A Credit Card  
Co-Signing  
Credit and Divorce  
Credit and Older Consumers  
Deep in Debt?  
Equal Credit Opportunity  
Fair Credit Reporting  
Fair Debt Collection  
Gold Cards  
Hang up on Fraud  
High Rate Mortgages  
Home Equity Credit Lines  
How to Avoid Bankruptcy  
Indiana Uniform Consumer Credit Code  
Look Before you Lease  
Mortgage Loans  
Repossession  
Reverse Mortgage Loans  
Rule of 78s – What is it?  
Scoring for Credit  
Shopping for Credit  
Using Credit Cards  
Variable Rate Credit  
What is a Budget?  
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. .



DEPARTMENT OF FINANCIAL INSTITUTIONS  
Consumer Credit Division  
30 South Meridian Street, Suite 300  
Indianapolis, Indiana 46204

# SECURED CREDIT CARD MARKETING SCAMS

## ANYONE CAN QUALIFY FOR A MAJOR CREDIT CARD!

Separated? - Divorced? - Bankrupt? - Widowed?  
BAD CREDIT? - NO CREDIT? NO PROBLEM!  
900-000-0000

Make the call NOW and get the credit you  
deserve!

Even if you've been turned down before, you owe  
it to yourself and your family.

Your major credit card is waiting.

## DEPARTMENT OF FINANCIAL INSTITUTIONS

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